



Patrick W. Henning, Director

November 7, 2008

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Arnold Schwarzenegger
Governor

Mr. Ron Crossley, Executive Director
Southeast Los Angeles County Workforce Investment Board
10900 E. 183rd Street, Suite 350
Cerritos, CA 90703

Dear Mr. Crossley,

**WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08**

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Southeast Los Angeles County Workforce Investment Board's (SELACO) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. Dave Ajirogi from July 14, 2008 through July 18, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by SELACO with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of SELACO, a review of applicable policies and procedures, and a review of documentation retained by SELACO for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on October 20, 2008 and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed findings 1 and 2 cited in the draft report, no further action is

required at this time. However, these issues will remain open until we verify the implementation of your stated corrective action plan (CAP) during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 80201 and 80202.

BACKGROUND

The SELACO was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, SELACO was allocated: \$756,028 to serve 261 adult participants; \$798,393 to serve 152 youth participants; and \$558,606 to serve 324 dislocated worker participants.

For the quarter ending June 30, 2008, SELACO reported the following expenditures and enrollments for its WIA programs: \$674,419 to serve 338 adult participants; \$421,511 to serve 120 youth participants; and \$293,350 to serve 277 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, SELACO is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, SELACO is meeting applicable WIA requirements concerning procurement; we noted instances of noncompliance in the following areas: contract provisions and property management. The findings that we identified in these areas, our recommendations, and SELACO's proposed resolution of the findings are specified below.

FINDING 1

Requirement: 29 CFR Section 97.36(i)(3) states, in part, that grantee and subgrantee contracts must contain the provision that it will be in compliance with Executive Order (EO) 11246 of September 24, 1965, entitled "Equal Employment Opportunity (EEO)", as amended by EO 11375 of October 13, 1967, and as supplemented in Department of Labor Regulations (41 CFR Chapter 60).

Observation: We found that subrecipient contracts do not contain a provision that included a reference to EO 11246 or 11375 and 41 CFR Part 60.

Recommendation: We recommended that SELACO provide a CAP, including a timeline, to revise its contract provisions and include references to EO 11246 and 11375 and 41 CFR Part 60.

SELACO Response: The SELACO stated that they accepted the recommendation and submitted a copy of its revised subrecipient contract boiler plate for review.

State Conclusion: The SELACO's revised contract boilerplate contained the above required provisions. However, we cannot close this issue until we verify, during a future onsite visit, SELACO has successfully implemented its new contract provisions. Until then, this issue remains open and has been assigned CATS number 80201.

FINDING 2

Requirement: 29 CFR 95.34(f)(3) states, in part, that a physical inventory shall be taken at least once every two years. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

29 CFR 95.34(f)(1)(i-ix) states, in part, that equipment records shall be maintained accurately and include: the manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number, and ultimate disposition data.

29 CFR 95.34(f)(4) states, in part, that a control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

Observation: We observed that SELACO had not updated its property inventory log to ensure information was accurate and accounted for its property purchases. For example, the disposition information was not recorded for property no longer in SELACO's possession, property stored at their storage warehouse was not identified, and a number of items did not have serial numbers, model numbers, or a location documented on its log. In response

to these similar issues identified in our PY 2006-07 Fiscal and Procurement Review, SELACO has taken the following actions:

- identified the missing make, model, and/or serial number for 17 of 137 items,
- identified the purchase date for 5 of 12 items,
- identified the cost information for 7 of 15 items,
- found 17 of the 27 missing items,
- identified the condition of all 65 items, and
- obtained the disposition data for 9 of the 25 items in question.

Recommendation:

As stated above, we noted the efforts to resolve the issues identified in the PY 2006-07 report, however, because many of the issues remain unresolved, SELACO should continue its efforts. We recommended that SELACO take the following action and provide the Compliance Review Division with documentation of the results:

- 1) update its property inventory log, so that all information is obtained,
- 2) identify items in the warehouse and, if necessary, follow property disposition procedures, and
- 3) locate the missing items or record the status of these items, rather than having no information.

SELACO Response:

The SELACO submitted the latest inventory record for items purchased with WIA fund for review. The SELACO stated that their inventory records were updated and reconciled with their purchasing records. However, there are a number of items in the inventory records that are missing information for the following reasons:

- Items did not contain information such as model or serial number. This happens to be the case with almost all of our computers and furniture.
- Eight (8) items were missing purchase dates and cost information because SELACO could not find the invoices for these items.

The SELACO stated that they spent a great deal of time and exhausted all avenues in efforts to gather supporting information. The SELACO acknowledged their mistakes and promise from now on to do a better job of keeping track of their inventory records.


State Conclusion:

We accept SELACO's corrective action on the current inventory items. However, we cannot close this issue until we verify that SELACO has continued to maintain the proper inventory control of its property. Until then, this issue remains open and has been assigned CATS number 80202.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is SELACO's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain SELACO's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Mr. Dave Ajirogi at (916) 657-4591.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Daniel Patterson, MIC 45
Georganne Pintar, MIC 50
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